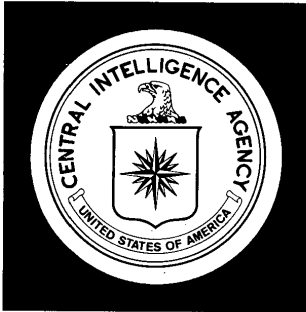


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The President's Daily Brief

August 30, 1975

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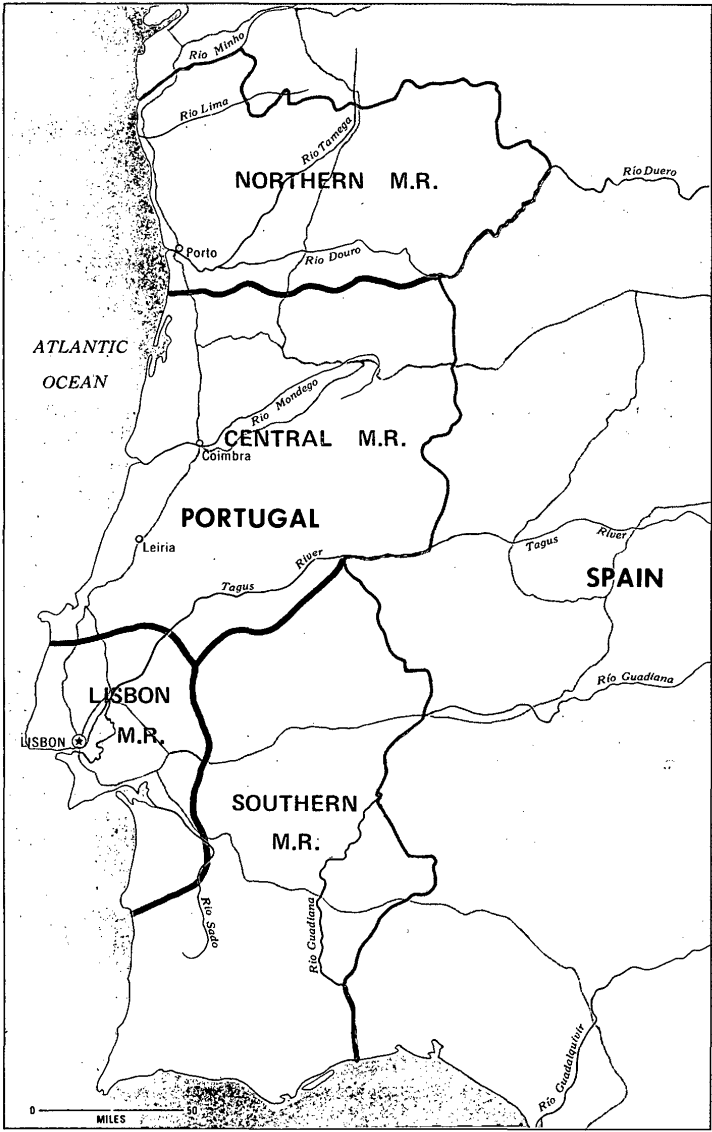
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PORTUGAL

The anti-Communist faction of Melo Antunes, which spearheaded the drive against Goncalves, has so far not responded to the appointment yesterday of Admiral Azevedo as prime minister or to Goncalves' being named armed forces chief of staff. But the appointments may have moved the country a step closer to civil war.

The US embassy reports that the Antunes group had already decided that these changes were unsatisfactory. The embassy says that actions of the military in northern Portugal in the past two days may be seen as part of the Antunes group's strategy for gaining power. It is designed to start in the north, gather military and civilian support, and gradually isolate Lisbon. The Antunes group claims to have near-total support in both the northern and central military regions. Units elsewhere remain a question.

Yesterday, Central Military Region Commander Charais, who is a staunch supporter of the Antunes group and who could emerge as a strong man, issued a communiqué stating his units will guarantee that Portugal does not revert to a totalitarian regime. He called on the civilian population to give unequivocal support to his troops.

The communiqué and a letter signed by officers in Porto, demanding that General Corvacho not be reinstated as northern region commander, are both seen as in keeping with the Antunes strategy.

The Antunes group, while admitting Admiral Azevedo is no Communist, sees him as weak and susceptible to manipulation. Azevedo, 58, is reportedly a close friend of President Costa Gomes and was named navy chief five days after the Armed Forces Movement overthrew the Caetano regime in April 1974. He has retained that post throughout the hectic 16 months that have followed--no mean task.

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Azevedo clearly favors a leftist course, although he is not as extreme in his views as Vasco Goncalves. The Admiral has been not unfavorable in his comments regarding the US and NATO.

Melo Antunes and his closest supporters may have committed themselves too far to turn back now, although the Portuguese capacity to procrastinate has seemed endless. The support Antunes will attract to any effort to oust the new government will depend to some extent on aspects of President Costa Gomes' compromise package that have not yet been released. The make-up of the cabinet, for instance, and the government program adopted may affect the willingness of the less-committed to lend their support to an effort to change things by force.

The Antunes group must now decide whether to try to upset the new arrangement or forfeit any chance of changing the direction the country is heading.

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PERU

The coup that brought General Morales Bermudez to power in Peru appears to have been well-planned and timed to coincide with the closing session of the nonaligned conference. Morales Bermudez apparently commanded the coup from the southern city of Tacna.

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General Velasco is said to have accepted his ouster. Lima and the rest of the country are reported calm. Some police officials are concerned about violence in the capital's slum areas, where Velasco enjoys some support. Police and military units should be able to put down any demonstrations.

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Morales Bermudez appears firmly in command of the situation. A number of generals who have been long-time supporters of General Velasco have not yet been heard from, but it is unlikely that they will oppose the new President, given the wide support he enjoys.

The US embassy reports that the nonaligned conference is stalled as delegates attempt to follow events and, perhaps, seek instructions from their governments concerning recognition. Some delegates have speculated that President Morales Bermudez might even address the meeting.

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General Morales Bermudez has long been dissatisfied with former president Velasco's radical, often arbitrary exercise of power. The new President's political views are somewhat less extreme

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than those of his predecessor. He is likely to seek a less rancorous relationship with the US and probably will tone down Velasco's stridently anti-imperialist foreign policies.

We do not believe that any one event prompted Morales Bermudez to move now. In fact, he had been steadily taking over the effective reins of power since last February, when Velasco was temporarily incapacitated by a stroke.

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Morales Bermudez served as finance minister from 1968 through 1973 and as army chief of staff from 1973 until he became prime minister last February. He has a reputation as an honest, methodical leader. He appears sensitive to the concerns of his fellow officers, a welcome change from Velasco.

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Mexican President Echeverria yesterday told Ambassador Jova in Mexico City that, on the basis of Fidel Castro's "glowing" comments about Morales Bermudez, Echeverria would not be surprised to see the new Peruvian leadership "take a sharp turn to the left." If Cuban officials in fact made such comments to Echeverria, they probably are indicative of Cuban uncertainty, and perhaps wishful thinking, rather than an objective assessment of the new Peruvian leader. Our assessment is that he will not move Peru further to the left domestically, nor is he likely to move closer to Cuba and other communist nations.

This is not to say that we expect Morales Bermudez to swing the government to the right. The new President remains firmly committed to the seven-year-old "revolution," including its commitment to an independent foreign policy. Thus, while

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Morales Bermudez is expected to seek a smoother relationship with Washington, the policies of the two countries are likely to remain far apart on many issues.

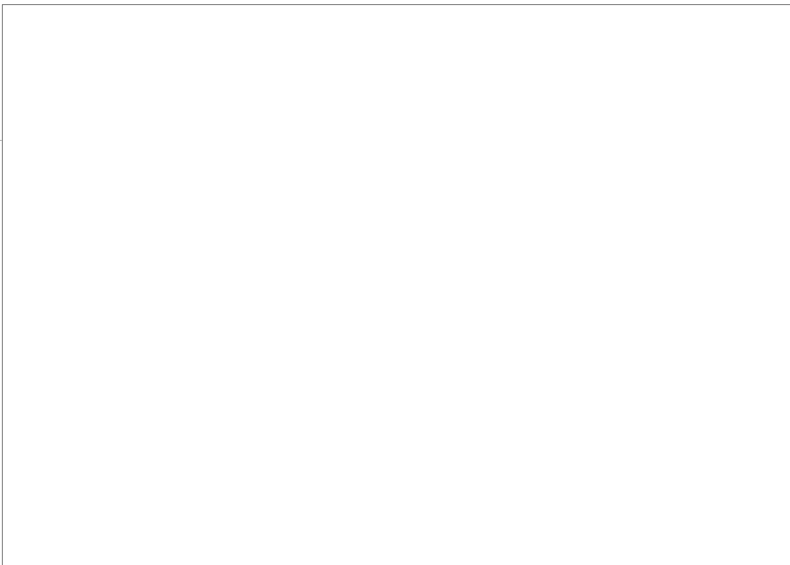
Morales Bermudez' widely-shared agreement with Velasco's goals of improving the lot of Peru's Indian masses and of redistributing national wealth argues against any rapid or basic change in the character of domestic policies. On the other hand, Morales Bermudez appears disposed to allow a greater degree of personal freedom, including a loosening of the severe restraints on the press, and eventually more civilian participation in political affairs.

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SAUDI ARABIA - IRAN

Saudi Arabia and Iran apparently remain seriously divided on the issue of an OPEC oil price rise in the fourth quarter. The Saudis, in fact, may attempt to thwart an increase at the OPEC conference meeting on September 24, although we believe members will try to work out a face-saving compromise involving a price increase of perhaps 10 to 15 percent.

Ambassador Akins was informed by Saudi Oil Minister Yamani on Wednesday that Riyadh had decided it must hold the line against any price increase. Yamani further claimed that he told Iranian Minister Amouzegar that if Iran insisted on a large price increase, the Saudis would sell at current prices and sharply increase production, even at the risk of splitting OPEC.



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Yamani

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told Akins that Iran favored a compromise in the neighborhood of 20 percent. In any case, he felt that a final Saudi decision would be made after Secretary Kissinger's visit to Saudi Arabia.



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Riyadh has strong bargaining power. It can bring almost 3 million barrels a day in unutilized productive capacity into service, which would force the rest of the cartel to cut production 1 to 2 million barrels a day in the fourth quarter. But, like last year when Riyadh called off an oil auction which would have lowered the price of oil, the Saudis are unlikely to risk a breakup of OPEC. We still expect a compromise, resulting in a price increase of 10 to 15 percent.

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EGYPT-USSR

Moscow has taken additional steps in its prolonged war of nerves with President Sadat. The Soviets' distaste for Sadat's policies, particularly his deepening ties with the US, is so intense that they apparently are willing to risk further restrictions on their remaining privileges in Egypt.

[redacted]
[redacted] Moscow has [redacted] canceled military training courses for students about to depart for the USSR. Few Egyptians have been trained in the USSR since the October 1973 war [redacted]

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[redacted] Moscow seems to be going out of its way to show its displeasure with Cairo.

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In what may well be another aspect of the Soviet campaign against Cairo, an anti-Sadat manifesto attributed to the central secretariat of the Egyptian Communist Party appeared last month in a radical paper in Beirut. The manifesto, which presented a detailed indictment of Sadat's foreign and domestic policies, said that while the Communist Party did not aim at the overthrow of Sadat, it would seek to stimulate and organize opposition to his policies. Egyptian Prime Minister Salim recently confirmed that the document was drafted and circulated by some Egyptian Communists. Salim dismissed the manifesto as insignificant and said the Egyptian Communists are under control.

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NOTE

Soviet propagandists are playing up the need for an Asian security conference similar to the recently concluded European summit. The latest issues of New Times and Izvestiya carry articles which stress the applicability to Asia of the principles agreed to at Helsinki.

Not surprisingly, the principle the Soviets deem most relevant for Asia is the inviolability of frontiers. The *Izvestiya* article attacks Maoists and "revanchists" in Japan for favoring territorial revision, and claims that most Asian countries, including India, favor resolving frontier disputes by peaceful means. *Izvestiya* also seems to imply that the Middle East should be included in the area to be covered by the new security arrangement. The Soviets' renewed emphasis on Asian collective security not only is a logical follow-on to the European security conference, but also appears to be part of a new propaganda campaign against China. The Soviets are arguing that anti-Sovietism is becoming institutionalized in China and probably will continue after Mao dies.

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